

# Task 8:

## Provide Clarity and Recommendations on PES Program Design Options

Presentation of Draft Final Report

April 5, 2022

# Report on PES Program Design

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- Completed; currently being finalized
- Goal: Identify the important questions and frame them with context and analysis
  - Describes, not prescribes
- This presentation highlights the important issues for the WG to consider.

# Clear Goals and Specific Objectives

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- Working Group tasked with designing this program
- A plethora of decisions need to be made
- Each decision should be guided by the goals/objectives
  - Does the decision help the program achieve its objectives?
  - Bigger picture goal is fine, but specific objectives are essential
- Goal should reflect what program success looks like
  - Impact on the environment
  - Impact on farmers
  - Impact on taxpayers/public

# Developing Specific Objectives

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- Issues to consider:
  - Is the focus on in-field soil health or the whole farm?
    - Will determine if/how biodiversity is addressed
  - What are the quantifiable targets of the program?
    - Are these realistic and achievable?
    - What is the time-frame?
  - What is the balance b/t cost-effectiveness and fairness?

# Program Design Criteria

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- Working Group should select and prioritize the program design criteria to be applied. Examples include:
  - Cost-effectiveness
  - Financial feasibility
  - Feasibility of implementation
  - Program compatibility

# Cost-effectiveness

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- Relative to what?
- Need to know (1) costs and (2) effectiveness.
- For most conservation programs, effectiveness is not known.
- Outcome-based programs –
  - Effectiveness is known
  - Higher transaction costs
  - Will the flexibility reduce costs proportionately more?
- Can disadvantage the early adopters

# Financial Feasibility

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- Need to understand
  - Full costs of program implementation
  - Budget constraints
- Major cost categories for PES program:
  - Payments
  - Quantification and verification
  - Program administration
- Risk of cost over-runs
- Ability to generate revenue or utilize debt

# Feasibility of Implementation

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- Effective implementation is essential for success
- “Boots on the ground” staff:
  - Need to be capable (ideally would be enthusiastic)
  - Are not always part of the design team
- Pilot-testing is critical
  - Only way to really understand potential bottlenecks
  - Collect comprehensive input from farmers



# Program Compatibility

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- Important questions:
  - How will this program be complementary to or compete with existing programs?
  - Are payments for outcomes from this program considered a “double dip” with payments from practice-based programs, such as EQIP?
    - Will farmers have to choose one or the other program?
  - What comparative advantage will the program have for farmers and how can that be maximized?

# Specific Design Issues

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- Program eligibility
- Quantification
- Payment structure
- Monitoring and verification

# Program Eligibility

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- Issues to consider:
  - Excluding farms that have violated societal expectations
    - Compliant with RAP Rule
  - Managing the program within budget constraints –
    - Cannot over-commit payments
      - Payment obligations uncertain at outset (how many acres, current and future SH scores)
    - Exclude managed forest land?
    - Allow farms to enroll individual fields or whole farm?
    - Phased program roll-out?

# Quantification of Soil Health

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- Soil sampling and analysis “seems” to be the path
- Use of modified CASH test
  - Create a committee of VT soil scientists and others
  - Decide which measures to include
  - Adjust scoring curves for VT soils
  - Weight each measure to reflect ecosystem services
- Develop consensus on including biodiversity
- Consider options for soil sampling
  - Accuracy, consistency, cost

# Payment Structure

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- Working Group wants fairness for existing conservation
- Budget constraints and public perception may require additionality
- Hybrid payment structure
  - Payment for improvement in SH score
  - Payment for exceeding a SH threshold
- Farmer could earn either or both payments
- Relative payment rates can be used to fine-tune

# Monitoring and Verification

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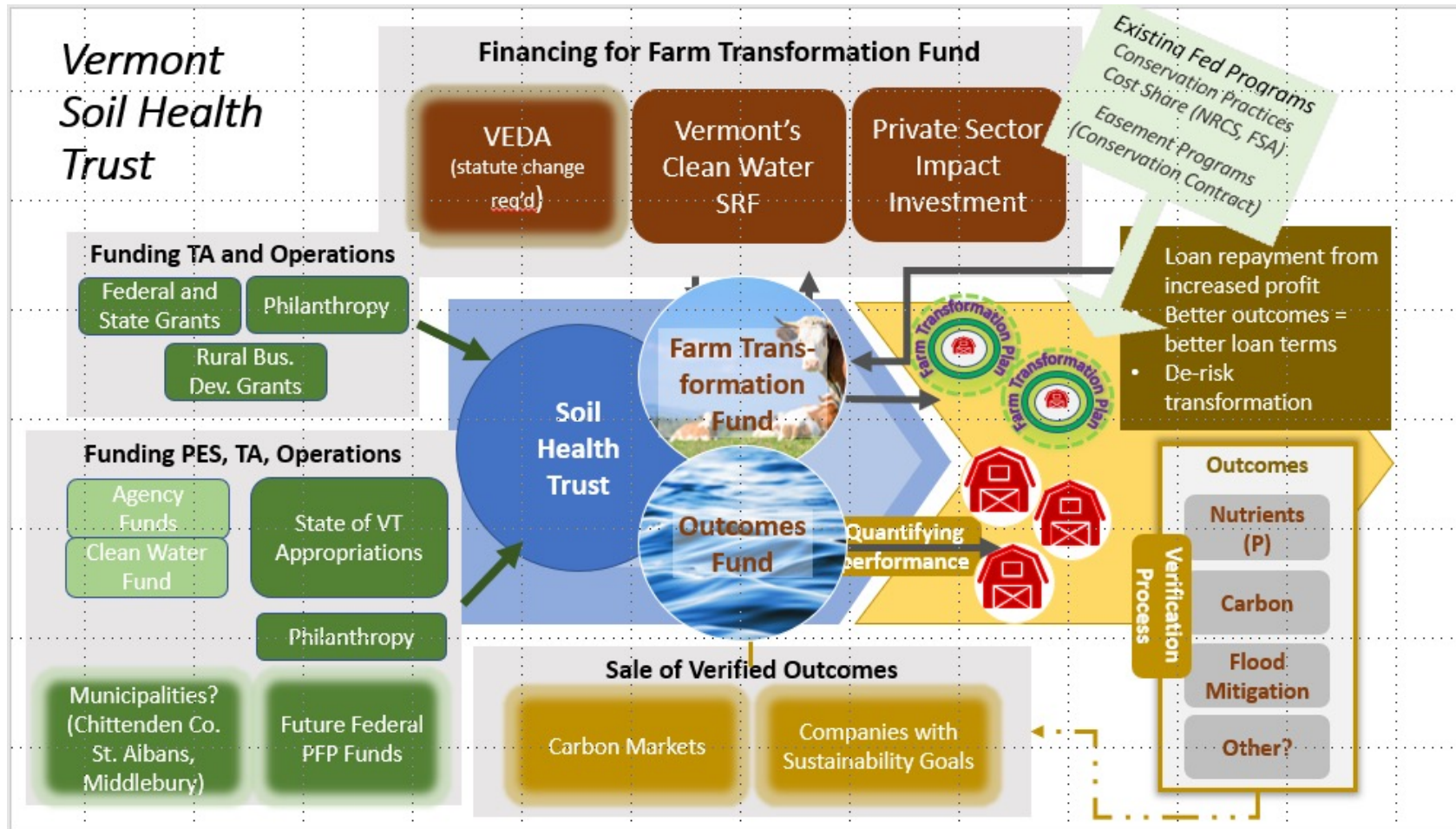
- If focus is measured soil health score, then field management does not need to be monitored
  - Would be valuable to associate practices with SH scores
  - Make voluntary practice reporting easy to do
- Soil sample results may need to be randomly verified
- Third party soil sampling could increase accuracy, consistency (and cost)

# Additional Issues of Relevance

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- Program administration – trust by ag and env groups
- Potential sources of funding
- Additional technical and financial resources for farmers
- Program evaluation and adaptive management

# Vermont Soil Health Trust (concept)





# Vermont Soil Health Trust

## Financing for Farm Transformation Fund

VEDA  
(statute change  
req'd)

Vermont's  
Clean Water  
SRF

Private Sector  
Impact  
Investment

Existing Fed Programs  
Conservation Practices  
Cost Share (NRCS, FSA)  
Easement Programs  
(Conservation Contract)

## Funding TA and Operations

Federal and  
State Grants

Philanthropy

Rural Bus.  
Dev. Grants

## Funding PES, TA, Operations

Agency  
Funds

Clean Water  
Fund

State of VT  
Appropriations

Philanthropy

Municipalities?  
(Chittenden Co.  
St. Albans,  
Middlebury)

Future Federal  
PFP Funds

Soil  
Health  
Trust

Farm Trans-  
formation  
Fund

Outcomes  
Fund

Quantifying  
Performance

## Sale of Verified Outcomes

Carbon Markets

Companies with  
Sustainability Goals

Loan repayment from  
increased profit  
Better outcomes =  
better loan terms  
• De-risk  
transformation

## Outcomes

Nutrients  
(P)

Carbon

Flood  
Mitigation

Other?

Verification  
Process



# Suggested Next Steps

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- Consensus on clear goals and specific objectives
- Tailor and prioritize program design criteria to use
- Assemble state team to modify CASH test
- Advance research to correlate field management with soil health scores and economic outcomes
- Formalize potential funding sources
- Enlist program evaluation specialist into design process

# Contact Info

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